

**PANCONTINENTAL  
OIL & GAS NL**

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**MARKET DATA**

**ASX:** PCL

**12 month high:** \$0.08

**12 month low:** \$0.024

**Market cap:** \$16M

**Cash at bank:** \$1.2M

**Issued shares:** 444M

**PROJECTS**

▪ **Australia**

Onshore Canning Basin  
Offshore Carnarvon Basin

▪ **Kenya**

Offshore Lamu Basin

▪ **Malta**

Offshore Chebba Martin  
Basin

▪ **Namibia**

Offshore

**DIRECTORS &  
MANAGEMENT**

David Kennedy  
**Chairman**

Peter Munachen  
**Finance Director**

Barry Rushworth  
**New Ventures Director**

Ian Cornelius  
**Non-executive Director**

**CONTACT DETAILS**

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## ASX Release

22 July 2008



**PANCONTINENTAL** Oil & Gas NL  
ACN 003 029 543  
ABN 95 003 029 543

### Pancontinental Oil & Gas NL - Quarterly Operations Update

#### Highlights for the quarter

- Kenya L-8 and L-9 - oil seepage evidence interpreted from sea floor, coinciding with prospects mapped from seismic
- EP-104 onshore Canning Basin - Stokes Bay 1 testing set to resume
- East Africa onshore - negotiations commenced for two new exploration licences
- Namibia offshore RL-1/2007 - Consortium Agreement signed with Key Petroleum, RL to convert to Petroleum Agreement

**Pancontinental Oil & Gas NL (ASX: PCL) is pleased to provide the following operations update to shareholders for the quarter ending 30 June 2008.**

#### **KENYA - Offshore blocks L-8 and L-9**

PCL – 50%

Results of a satellite oil slick survey received from operator Origin Energy Limited (ASX: ORG) show sea-surface evidence of hydrocarbon seepage from the sea floor in Blocks L-8 and L-9.

The slicks seen in L-8 are the largest and highest ranked for all of offshore Kenya and coincide with several main prospects mapped from seismic.

The largest is the Mbawa Prospect, covering approximately 360 square kilometres (km<sup>2</sup>) at the Jurassic level and approximately 140 km<sup>2</sup> at the shallower Tertiary level.

In the Mbawa Prospect at an intermediate Tertiary/Cretaceous level, Origin has calculated potential exceeding 5 billion barrels oil-in-place or 7 trillion cubic feet gas-in-place. The Nanaa Central Prospect has also been calculated to have similar potential.

The satellite survey gives considerable encouragement to the company's interpretation that a working petroleum system may be present in its Lamu Basin acreage.

Only drilling and extensive further work can establish the size and commercial value of any oil or gas discovery.

Pancontinental has an agreement with Origin whereby Pancontinental will retain a 25% interest in an exploration well and any hydrocarbons discovered in L-8 or L-9, with Origin paying 100% of drilling costs.

**KENYA - Offshore block L-6**

PCL – 40%

Airborne gravity data and seismic data acquired under farm-in by Gippsland Offshore Petroleum Limited (ASX: GOP) continued to be interpreted and mapped during the quarter.

A number of prospects and leads with significant speculative oil and gas reserves potential have been identified.

The joint venture (JV) is continuing with planning for future activities and firming up a target for drilling.

**MALTA - Offshore Area 5; Area 4, Block 3**

PCL - 80% (reducing to 28.0% after seismic and one well)

The JV, including farminee Anadarko Petroleum Corporation, has been making plans for the renewed exploration of the area. These will be discussed with the government of Malta in the coming quarter.

The company remains confident that the main prospects and leads identified have very significant potential. These are in the same geological province as the very large oil and gas fields offshore Libya and Tunisia.

Activity over the area is currently suspended, pending discussions between Malta and neighbours Libya and Tunisia.

**NAMIBIA - Reconnaissance License RL-1/2007, Offshore Walvis Basin**

PCL – 100%

During the quarter Pancontinental signed a Consortium Agreement with Key Petroleum Limited (ASX: KEY) for petroleum exploration offshore Namibia. Under the agreement, Key will pay Pancontinental, on fulfilment of a number of obligations, up to A\$100,000 in respect of past expenditure and will share in certain future costs.

Pancontinental and Key have been conducting studies of existing data from the area and the JV believes that the area holds a significant exploration opportunity.

Pancontinental has applied for a Petroleum Agreement (PA) and Exploration Licence (EL) over part of the area of the existing Reconnaissance Licence (RL) and the two companies have agreed that each will be a 50% participant in any successful award.

Any PA and EL is subject to negotiations with the Ministry of Mines and Energy of Namibia. Pancontinental anticipates commencing such negotiations in the coming quarter.

**MOROCCO – Mediterranean Est Block (Application), Offshore Morocco**

PCL – 100% (diluting to 80%)

The JV is awaiting the formal issue of the RL by the Minister. There has been no further progress since the last report.

### **AUSTRALIA – EP-104 / R1 Onshore Canning Basin**

Pancontinental Oil & Gas NL – 10%

Studies carried out by the operator Arc Energy Limited (ASX: ARQ) on behalf of the JV have helped to characterise the Nullara potential and have identified trends which could be followed in the event of testing success in Stokes Bay 1.

Subsequent to the end of the quarter, Stokes Bay 1 was inspected and opened to assist in the design of a definitive testing program.

Upon installation of the well head and pressure gauges, the well head pressure was 1200psi. On opening, the well flowed gas for approximately six minutes before slugging mud and gas with flow ceasing after some 30 minutes.

After an overnight shut-in the well head pressure was 250psi with no significant flow. The well has now been shut-in and the crew has demobilised.

These results are very encouraging with the gas flowing either from the Laurel gas sands below the 7 inch casing shoe or from the Nullara reef section. Plans will now be made for a definitive test of the reservoir. The extent of a hydrocarbon accumulation (if any) can only be determined by further work and testing.

### **AUSTRALIA – EP-424 Offshore Carnarvon Basin**

PCL – 25%

A variation to the permit terms has been requested from the Department of Industry and Resources under which the drilling of one well is now required by 13 April 2009. The JV awaits the outcome.

Amplitude Versus Offset seismic analysis over the Baniyas Prospect shows a seismic anomaly which could indicate the presence of gas-over-oil or gas-over-water in the prospect, although other interpretations (including rock property changes) cannot be ruled out.

The Baniyas prospect is on-trend and has strong similarities to the Roller, Saladin and Skate oil fields in the neighbouring permit areas. Baniyas is estimated to have potential for Pmean prospective resources of 26 million barrels oil and 56 Bcf gas (34 Barrels of Oil Equivalent). These prospective resources are of a speculative nature until the prospect has been evaluated by drilling.

### **AUSTRALIA – EP-110 Onshore Carnarvon Basin**

PCL -25%

This permit is operated in conjunction with EP-424. The parties in EP-110 have identical equities to those in permit EP-424. An application to renew EP-110 was submitted to DOIR in July 2006. No response has been received to date. There was no activity during the quarter.

### **AUSTRALIA – EP-406 Offshore Shark Bay, Carnarvon Basin**

PCL – 5%

Progress is awaited regarding permission to explore this area, which is subject to a Marine Park and World Heritage Listing.

## **NEW VENTURES**

During the quarter, Pancontinental commenced negotiations for two new onshore exploration licences in Africa and applied for certain specific new projects offshore Australia.

The company continues to review Australasian, Mediterranean and African onshore and offshore opportunities

### **Enquiries:**

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*The summary report on the oil and gas projects is based on information compiled by Mr R B Rushworth, BSc, MAAPG, MPESGB, New Ventures Director of Pancontinental Oil & Gas NL. Mr Rushworth has the relevant degree in geology and has been practising petroleum geology for more than 25 years.*

*Mr Rushworth is a Director of Pancontinental Oil & Gas NL and has consented in writing to the inclusion of the information stated in the form and context in which it appears.*

*Mining exploration entity quarterly report*

Name of entity

**Pancontinental Oil & Gas NL**

ABN

95 003 029 543

Quarter ended ("current quarter")

30 June 2008

**Consolidated statement of cash flows**

	Current quarter \$A'000	Year to date (....12.... months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(375)	(2,728)
(b) development		
(c) production		
(d) administration	(52)	(899)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	8	70
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	18	20
<b>Net Operating Cash Flows</b>	<b>(401)</b>	<b>(3,537)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects		
(b)equity investments		
(c) other fixed assets		
1.9 Proceeds from sale of: (a)prospects		
(b)equity investments		
(c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	-	-
1.13 Total operating and investing cash flows (carried forward)	(401)	(3,537)

## Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(401)	(3,537)
1.14	Proceeds from issues of shares, options, etc.		2,989
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	-	2,989
	<b>Net increase (decrease) in cash held</b>	(401)	(548)
1.20	Cash at beginning of quarter/year to date	1,649	1,811
1.21	Exchange rate adjustments to item 1.20		(15)
1.22	<b>Cash at end of quarter</b>	1,248	1,248

### Payments to directors of the entity and associates of the directors

### Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	213
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

### 1.25 Explanation necessary for an understanding of the transactions

Payments to companies associated with directors (in 1.23 above) for:	
Corporate consulting fees	19
Technical consulting fees	90
Directors fees	35
Administration, accounting & secretarial fees	69

### Non-cash financing and investing activities

#### 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

#### 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

**Financing facilities available***Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	439
4.2 Development	
<b>Total</b>	<b>439</b>

***Reconciliation of cash***

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	821	1,387
5.2 Deposits at call	427	262
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>1,248</b>	<b>1,649</b>

**Changes in interests in mining tenements**

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed			
6.2 Interests in mining tenements acquired or increased			

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*


	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	444,770,113	444,770,113		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	<i>Number outstanding</i>		<i>Exercise price</i>	<i>Expiry date</i>
	3,625,000		\$0.10	31 December 2008
	1,100,000		\$0.15	21 November 2009
	2,875,000		\$0.15	28 November 2009
	9,500,000		\$0.0925	28 November 2010
	9,250,000		\$0.096	28 November 2011
	4,500,000		\$0.059	28 November 2012
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	(250,000) (250,000)		\$0.10 \$0.15	30 June 2008 30 June 2008
7.11 <b>Debentures</b> <i>(totals only)</i>				

7.12	Unsecured notes (totals only)		
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### *Compliance statement*

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .....  ..... Date: 23 July 2008  
(Director/Company secretary)

Print name: ..... E A Myers .....

### *Notes*

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

**PANCONTINENTAL OIL & GAS NL – PETROLEUM PERMIT SCHEDULE**

as at 30 June 2008

<b>Project</b>	<b>Permit reference</b>	<b>Interest</b>
<b>Petroleum prospects</b>		
Western Australia	EP 104 (R4)	10%
	EP 406	5%
	EP 110	25%
	EP 424	25%
Malta	Area 5	80% (reducing to 28% after one well)
	Block 3 of Area 4	80% (reducing to 28% after one well)
Kenya	L6	40%
	L8	50%
	L9	50%
Namibia	RL – 1/2007	100%
Morocco	Mediterranee Est. Block*	100% - diluting to 80%

\* Awaiting award of R/L.